SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1989

90-03450/

Saskatchewan Grain Car Corporation

To Her Honour
the Honourable Sylvia Fedoruk
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1989, including the financial statements therefore, duly certified by Skilnick and Partners, the Corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Madam,

Your obedient servant,

Harold Martens
Associate Minister of Agriculture and Food
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Grant Devine, Regina

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1989

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1988-89 crop year. Saskatchewan Grain Car Corporation had 474 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. A request for re-allocation was received during the 1988-89 crop year, but negotiations continue.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation previously extended the Operating Agreement, originally signed with the CN, CP and Canadian Wheat Board in February, 1981, until a new agreement is ratified. This Agreement allows for the 6 major grains, wheat, oats, barley, rye, flax and rapeseed to be carried within the Western Division. Other grains may be handled with authorization from the Corporation. In the 1989-89 Crop Year the Corporation authorized two additional movements as well as movement of grains covered under Schedule 1 of Bill C155, Western Transportation Act.

During 1988-89 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1988-89 and the 1987-88 crop years.

Major Grains Transported in Western Division	**1988-89** (Tonnes)	**1987-88** (Tonnes)
Wheat, Durum	552,510	1,006,220
Oats	24,460	14,040
Barley	135,990	197,780
Rye	4,600	8,670
Flax	12,400	27,920
Rapeseed	92,170	99,380
	822,130	1,354,010

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The Corporation's hopper cars moved .82 million tonnes of major grains in 1988-89 compared to 1.35 million tonnes in 1987-88 within the Western Division. This represents a 39% decrease for SGCC movements from 1987-88.

Saskatchewan produced a crop of 11.0 million tonnes of the six major grains and oil seeds in 1988 compared to 22.2 million tonnes in 1987.

Canadian grain exports during the 1987-88 crop year were an all time record. Exports in 1988-89 were 18.5 million tonnes compared to 31.5 million tonnes in 1987-88.

In addition to the 6 major grains, approximately 45,000 tonnes of other crops such as alfalfa pellets, malt, bran, etc. were moved within the Western Division, 60,400 tonnes of major grains travelled out of the Western Division to the U.S.A. and Ontario and 166,470 tonnes of potash and other fertilizer moved within the Western Division and to Quebec to meet export opportunities, making a grand total of 1,092,340 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1988-89 Crop Year. (A decrease of 24% in total handling over last year's movements.)

The major factor contributing to the drop in grain handling was the extensive prairie drought.

Origin of Movements	**1988-89**	**1987-88**
	%	%
Saskatchewan	46.2	55.8
Alberta	36.0	30.0
Manitoba	17.2	13.8
British Columbia	.6	.4
	100.0	100.0

Destinations within Western Division	**1988-89**	**1987-88**
	(Trips)	(Trips)
Thunder Bay	4,315	6,358
Vancouver	4,648	8,557
Prince Rupert	1,436	2,323
Inland Mills, Feed Plants, etc.	295	576
	10,694	17,814

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	**1988-89**	**1987-88**
	(Days)	(Days)
Thunder Bay	23.6	18.7
Vancouver	26.2	22.5
Prince Rupert	23.0	21.3
Average - All Ports	24.7	20.9

The Corporation's average round trip car cycle increased to 24.7 days in 1988-89 from 20.9 days in the previous year.

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Delay in Car Movements	1988-89 (Number of cars - % of Fleet)	1987-88 (Number of cars - % of Fleet)
CN	38 - 8.0	32 - 6.7
CP	132 - 25.2	50 - 9.6
Both	170 - 17.0	82 - 8.4

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is 523 on CP and 474 on CN.

Damaged Cars

Railway	1988-89	1987-88	Total Since Built
CN	4	3	56
CP	9	2	44
Both	13	5	100

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85 and one during 1986-87. The depreciated value of $143,363.03 for the three cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. All cars damaged during the 1988-89 fiscal year were in service before the close of the Crop Year.

Alternate Use of Cars

The Corporation's hopper cars were utilized in two additional movements, as follows:

Due to the drought situation in the Prairies, utilization of cars was lower than normal therefore an agreement was reached with CN and CP to lease a portion of SGCC hopper cars for two movements.

1. From November/88 - June/89
   CP moved 1835 carloads of potash and other fertilizers from the Prairies (mainly Saskatchewan) to Thunder Bay and Vancouver (with a small percentage to Ontario and Quebec) providing the Corporation with revenue of $777,971.00.

2. From February - May/89
   CN moved 815 carloads of oats, barley, durum, flax, canaryseed and screenings from Thunder Bay, Winnipeg and Saskatoon to various points in the U.S.A. (with a small percentage going to Ontario) providing the Corporation with revenue of $321,470.00.

Total revenue received for Saskatchewan Grain Car Corporation cars usage was $1,099,441.00.

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Auditor's Report 1989

To the Board of Directors,
Saskatchewan Grain Car Corporation,
Melville, Saskatchewan.

We have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1989, and the statements of revenue and expenditure, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at July 31, 1989 and the results of its operations and the changes in financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.

Melville, Saskatchewan
September 7, 1989

SKILNICK & PARTNERS
Chartered Accountants

Saskatchewan Grain Car Corporation

Statement 1 _ Statement of Financial Position

July 31, 1989. (Note 2)

	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
ASSETS	**1989**	**1988**	**1989**	**1988**	**1989**	**1988**
Current Assets						
Cash	2,645	316	Nil	Nil	1,450	26
Short-term investments, at cost (Schedule 1)	1,070,181	5,900	Nil	Nil	198,775	180,881
Accounts receivable						
- accrued interest on short-term investment	10,805	10	Nil	Nil	1,225	1,427
- miscellaneous	34,000	Nil	Nil	Nil	Nil	Nil
	1,117,631	6,226	Nil	Nil	201,450	182,334
Fixed assets (Note 1 (b) & (e))	Nil	Nil	54,214,423	54,214,423	Nil	Nil
Less accumulated depreciation (Note 1(e))	Nil	Nil	3,666,660	3,666,660	Nil	Nil
	1,117,631	6,226	50,547,763	50,547,763	201,450	182,334
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	3,425	8,257	Nil	Nil	Nil	Nil
Long-term loan from the Heritage Fund (Note 3)	Nil	Nil	46,349,629	46,349,629	Nil	Nil
Surplus - (Deficit)						
Statement 3	1,114,206	(2,031)	4,198,134	4,198,134	201,450	182,334
	1,117,631	6,226	50,547,763	50,547,763	201,450	182,334

(See Accompanying Notes to the Financial Statements)

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Statement 2 _ Statement of Revenue and Expenditure

For the Year Ended July 31, 1989.

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note1)	Total 1989	Total 1988
Revenue					
Hopper car lease CN & CP Railways (Note 1(d)(II))	1,099,441	Nil	Nil	1,099,441	Nil
Grant - Consolidated Fund - Department of Agriculture	82,500	Nil	Nil	82,500	86,800
Interest - on short term investments	36,841	Nil	19,116	55,957	15,425
Miscellaneous revenue (Note 4(c))	7,568	Nil	Nil	7,568	7,106
	1,226,350	Nil	19,116	1,245,466	109,331
Expenditures					
Salaries	83,086	Nil	Nil	83,086	77,437
Board of Directors expenses	300	Nil	Nil	300	300
Administration expenses (Schedule 2)	26,727	Nil	Nil	26,727	27,450
	110,113	Nil	Nil	110,113	105,187
Excess of Revenue over Expenditure (Expenditure over Revenue) for the year	1,116,237	Nil	19,116	1,135,353	4,144

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Surplus

For the Year Ended July 31, 1989

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1989	Total 1988
Surplus beginning of year	(2,031)	4,198,134	182,334	4,378,437	4,374,293
Excess of revenue over expenditure (expenditure over revenue) for the year	1,116,237	Nil	19,116	1,135,353	4,144
Surplus (Deficit), end of year	1,114,206	4,198,134	201,450	5,513,790	4,378,437

(See Accompanying Notes to the Financial Statements)

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Statement 4 — Statement of Changes in Financial Position

For the Year Ended July 31, 1989

	1989	1988
Cash provided by (utilized in) operating activities:		
Earnings before extraordinary items	1,135,353	4,144
Add: Charges not requiring current cash payments	Nil	Nil
	1,135,353	4,144
Net change in non-cash working capital balances related to operations - see summary below	(49,425)	12,605
Cash provided by operations	1,085,928	16,749
Cash provided by (utilized in) investment activities decrease (increase) in S.T. Investments	(1,082,175)	(22,745)
Cash provided by (utilized in) investment activities	(1,082,175)	(22,745)
Cash provided by (utilized in) financing activities decrease in long-term debt	Nil	Nil
Cash utilized in financing activities	Nil	Nil
Net increase (decrease) in cash during year	3,753	(5,996)
Cash position at beginning of year	342	6,338
Cash position at end of year	4,095	342

Summary of Changes in Non-Cash Working Capital

	1989	1988
Accrued interest on short term investments	(10,593)	5,734
Miscellaneous receivables	(34,000)	3,735
Prepaid expense	Nil	1,184
Accounts payable	(4,832)	1,952
	(49,425)	12,605

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Notes to Financial Statements
July 31, 1989

1. **Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are reported in a Capital Fund, along with the related liability to the Heritage Fund.

2. Since no significant sustainable revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, three cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of Grain Cars:

The purchase of the grain cars is grouped as a "pool". Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of Other Fixed Assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating Revenue:

i) Operating Agreement

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the corporation's hopper car fleet. Revenue earned by the hopper cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

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1. d) Operating Revenue - Continued

   ii) Hopper Car Use Agreement

   During the year Saskatchewan Grain Car Corporation entered into Agreements with the Canadian Pacific Limited and Canadian National Railway Limited providing for alternate use of the hopper cars. These Agreements provided for alternate usage to the extent the hopper cars were surplus to requirements to transport western grains as set out in the operating agreement.

   Terms of the Agreement with Canadian Pacific Limited provided for usage in transporting potash and fertilizer within Canada at a daily rate of $17 per hopper car.

   Terms of the Agreement with Canadian National Railway Limited provided for usage in transporting grains from Thunder Bay, Ontario to points in the United States at a daily rate of $17 per hopper car.

   e) Depreciation of Grain cars:

   The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant.

2. **Status of the Corporation**

   The Saskatchewan Grain Car Corporation was established by Order-in Council 1787/79 on October 2, 1979, and continues under the provisions of the Saskatchewan Grain Car Corporation Act.

3. **Long-Term Debt**

   Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

   By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

   a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

   b) The loan shall not bear any interest from and after March 31, 1983.

4. **Related Party Transactions**

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) The Corporation's Melville office is located in a provincial government building and prior to April 1, 1987 no rent was paid for use of the space. Effective April 1, 1987 a rental charge of $708 per month, revised to $759 effective April 1, 1988, and subsequently revised to $796 effective April 1, 1989, has been collected by Saskatchewan Property Management.

c) Miscellaneous represents recoveries by the corporation of a portion of the cost of jointly shared secretarial and telephone services with the Saskatchewan Water Corporation.

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Schedule 1 — Schedule of Investments
As at July 31, 1989

	Description	Rate	Maturity Date	Amount
Operating Fund				
	Melville Credit Union - Term	9.25%	August 30, 1989	1,900
	Melville Credit Union - Term	9.25%	August 16, 1989	24,000
	Roynat - Promissory note	12.29%	August 1, 1989	929,980
	Bank of Nova Scotia - Bankers Acceptance	12.40%	August 1, 1989	114,301
	Totals - To Statement 1			1,070,181
Reserve Fund				
	Chrysler Canada - Promissory Note	12.50%	August 1, 1989	198,775
	Totals - To Statement 1			198,775

(See Accompanying Notes to the Financial Statements)

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Schedule 2 — Schedule of Administration Expenses

For the Year Ended July 31, 1989

	1989	1988
Bank charges	196	65
Computer services and equipment	6,557	8,314
Office supplies and equipment rent	243	134
Printing and copying	720	1,888
Professional services	2,615	1,950
Rent - office space - Note 4(b)	9,316	9,462
Telephone and telex	5,267	4,548
Travel and sustenance	1,813	1,089
Totals - To Statement 2	26,727	27,450

(See Accompanying Notes to the Financial Statements)